

DEPARTMENT OF BUSINESS OVERSIGHT*Ensuring a Fair and Secure Financial Services Marketplace for all Californians*

Jan Lynn Owen
Commissioner of Business Oversight

March 9, 2015

Re: Eligible Securities – Request for Inclusion of Foreign Currency Eligible Securities

Dear _____:

This letter follows your meeting with the Commissioner of Business Oversight, Jan Lynn Owen, on November 24, 2014, and responds to your letters dated March 22, 2012, December 12, 2013, and January 29, 2015, in which _____ requested the Department of Business Oversight (Department) to permit _____ foreign currency deposits in banks located in foreign countries to be counted as part of _____ eligible securities.

California Financial Code section 2082(c)(2) defines a “foreign currency eligible security” to mean “any deposit in an office of a bank acceptable to the commissioner that is located in a foreign country.”

The Department has reviewed the list of foreign banks in which _____ currently has foreign currency deposits and which _____ requests to include as part of _____ eligible securities. The list of such foreign banks is attached as Exhibit A. The Department has also reviewed the information provided by _____ concerning each bank, which included the following:

1. Name of the bank and its country of formation
2. The country and city in which the office of the bank is located where the foreign account balance is held
3. Amount of deposit and the currency denomination of the deposit
4. All current ratings of the bank and bank deposits by Standard & Poor’s Ratings Services and Moody’s Investors Service, Inc.

All of the foreign banks are rated at or above P-2 by Moody’s Investors Service, Inc. for Short-Term Issuer Level Rating, at or above A-2 by Standard & Poor’s Ratings Services for Short-Term Issuer Credit Rating, and at or above F-2 by Fitch for Short-Term Issuer Default Rating.

In addition, none of the countries in which the foreign banks are located are listed on the Office of Foreign Asset Control Sanctions Programs and Country Information as of the date of this letter. Furthermore, none of the countries in which the foreign banks are located are

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listed on the Financial Action Task Force list of high-risk and non-cooperative jurisdictions as of October 24, 2014.

All of the foreign banks listed in Exhibit A have registered with the Internal Revenue Service (IRS) pursuant to the Foreign Account Tax Compliance Act, have been issued a Global Intermediary Identification Number, and are included in the Foreign Financial Institutions list published by the IRS.

For these reasons, the Department has determined that the foreign banks listed in Exhibit A are acceptable, and therefore, the deposits in those banks may be included as part of _____ eligible securities, subject to the following limitations:

1. _____ is only permitted to include the value of the deposits in the approved foreign banks not exceeding ten (10) percent of the aggregate value of all eligible securities owned by _____.
2. _____ is only permitted to include the value of deposits in any individual foreign bank (including all of that bank's foreign office locations) not exceeding five (5) percent of the aggregate value of all eligible securities owned by _____.

With respect to any foreign banks listed in Exhibit A, the approval shall be revoked if the factors considered above with regard to any of the approved foreign banks are no longer true, or if there is a deterioration of the composite rating of _____. _____ shall have the continuing obligation to document that each of these factors remains true with respect to any foreign bank deposit which it seeks to count as an eligible security.

In the future, if _____ wishes to include as part of _____ eligible securities any foreign currency deposits located in a foreign bank that is not listed in Exhibit A, then _____ must apply to the Commissioner for approval of such foreign bank, pursuant to Financial Code section 2082(c)(2).

If you have any questions, please feel to contact me at (415) 263-8528.

Sincerely,

Jan Lynn Owen
Commissioner of Business Oversight

By

Jennifer L.W. Rumberger
Senior Counsel

JLWR:acp

Enclosure

cc: Robert Venchiarutti, Department of Business Oversight, San Francisco
Julio Prada, Department of Business Oversight, San Francisco